



Claire McCaskill

Missouri State Auditor

March 2006

Tobacco Settlement Funds



Office Of The
State Auditor Of Missouri
Claire McCaskill

March 2006

The following findings were included in our audit report on the Tobacco Settlement Funds.

The state has not adequately accounted for the use of tobacco settlement funds. Through June 30, 2005, the state received tobacco settlement payments totaling over \$965 million. These tobacco payments represent discrete funding streams which will continue in perpetuity. For the first 25 years, Missouri's share of base payments (prior to adjustments, most reductions, or offsets) is almost \$4.6 billion.

Instead of funding a comprehensive tobacco prevention program, approximately 69 percent of Missouri's tobacco payments received were transferred to the state's General Fund and used to cover state budget shortfalls. The remaining funds were spent on various state programs, with a majority of these monies used to replace funds cut from the state's Medicaid Program. Only a small portion of Missouri's tobacco payments were used to enhance other state programs, and most of these programs were later discontinued due to budget constraints. During the five years ended June 30, 2005, only about \$1.8 million of the tobacco payments were spent on tobacco-related programs.

All tobacco funds transferred to the state's General Fund were ultimately spent without being designated for a specific purpose or without any other method of tracking how the funds were spent. In addition, a formal report regarding the use of tobacco monies is not prepared for public review.

During the five years ended June 30, 2005, tobacco payments were distributed to nine different funds and often redistributed again, with some monies held in three different funds before ultimately being spent. This practice of making numerous transfers of the tobacco monies to various funds has made it difficult to determine the ultimate disposition of the funds and has resulted in multiple, and some excessive, cost allocation charges totaling over \$13 million.

Furthermore, the state has not passed additional legislation that would amend the model statute as recommended by the National Association of Attorneys General and pursued by the Missouri Attorney General. This legislation is needed to make state enforcement of the model statute more effective and to safeguard the current annual tobacco payments to the state.

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YELLOW SHEET

TOBACCO SETTLEMENT FUNDS

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STATE AUDITOR'S REPORT



CLAIRE C. McCASKILL
Missouri State Auditor

Honorable Matt Blunt, Governor
and
Members of the General Assembly
and
Honorable Jeremiah W. (Jay) Nixon, Attorney General
and
Michael Keathley, Commissioner
Office of Administration
Jefferson City, MO 65102

We have audited the Tobacco Settlement Funds received by the state of Missouri. The scope of this audit included, but was not necessarily limited to, the years ended June 30, 2005, 2004, 2003, 2002, and 2001. The objectives of this audit were to:

1. Determine if the state is receiving all applicable tobacco settlement funds in accordance with the provisions of the Master Settlement Agreement.
2. Determine how the tobacco settlement funds have been spent and the nature of those expenditures, and if the state has a reasonable plan for spending the tobacco settlement funds.
3. Review compliance with certain legal provisions.

Our methodology to accomplish these objectives included reviewing the tobacco settlement agreements and amendments, financial records, and other pertinent documents; interviewing various personnel of state agencies, as well as certain external parties; analyzing comparative data obtained from internal and external sources; and testing selected transactions.

In addition, we obtained an understanding of internal controls significant to the audit objectives and considered whether specific controls have been properly designed and placed in operation. However, providing an opinion on internal controls was not an objective of our audit and accordingly, we do not express such an opinion.

We also obtained an understanding of legal provisions significant to the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract, or other legal provisions could occur. Based on that risk assessment, we designed and performed

procedures to provide reasonable assurance of detecting significant instances of noncompliance with the provisions. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion.

Our audit was conducted in accordance with applicable standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and included such procedures as we considered necessary in the circumstances.

The accompanying Statistical Information is presented for informational purposes. This information was obtained from the Statewide Advantage for Missouri (SAM II) System and from discussions with various state agency officials and was not subjected to the procedures applied in the audit of the Tobacco Settlement Funds.

The accompanying Management Advisory Report presents our finding arising from our audit of the Tobacco Settlement Funds.



Claire McCaskill
State Auditor

September 2, 2005 (fieldwork completion date)

The following auditors participated in the preparation of this report:

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MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDING

TOBACCO SETTLEMENT FUNDS
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDING

Tobacco Settlement Funds

Through June 30, 2005, the state received tobacco settlement payments totaling over \$965 million. These tobacco payments represent discrete funding streams which will continue in perpetuity. However, the state has not adequately accounted for the use of these funds. A significant portion of the tobacco payments has been used to cover state budget shortfalls.

Background Information

The Master Settlement Agreement (MSA) was entered into in November 1998, by the attorneys general of 46 states (including Missouri)¹, the District of Columbia, and five U.S. territories (collectively the Settling States) and the four largest U.S. tobacco manufacturers: Philip Morris, USA;² R.J. Reynolds Tobacco Company; Brown & Williamson Tobacco Corporation; and Lorillard Tobacco Company (collectively the Original Participating Manufacturers or OPMs). The MSA resolved cigarette smoking-related litigation among the Settling States and the OPMs, released the OPMs from past and present smoking-related claims by the Settling States, and provided for a continuing release of future smoking-related claims in exchange for certain payments to be made to the Settling States.

The MSA commits the tobacco companies to make annual payments to the Settling States in perpetuity as reimbursement for healthcare costs. The tobacco payments to the Settling States are based upon national cigarette consumption, and the payments are allocated to the states using a fixed percentage (allocation percentage) identified in the MSA. The allocation percentages were based on smoking-related Medicaid and smoking-related non-Medicaid health care costs of each state. The smoking-related costs considered each state's population and smoking prevalence. In addition, these percentages were adjusted due to negotiations between the states. Pursuant to the MSA, Missouri receives approximately 2.3 percent of the total national payments.

For the first 25 years, base payments due to the Settling States (prior to any adjustments, reductions, or offsets, except the previously settled states reduction) total more than \$200 billion. Missouri's share of these base payments is almost \$4.6 billion. However, Missouri's actual tobacco payments may be more or less than this amount because, as discussed below, the amount of future tobacco payments is uncertain.

¹ Four states — Florida, Minnesota, Texas and Mississippi settled their lawsuits with the tobacco industry by negotiating independent agreements.

² This company was previously known as Philip Morris Incorporated.

The MSA also provides for the imposition of certain tobacco advertising, marketing, and lobbying restrictions; and for payments to other entities, including a National Foundation and National Public Education Fund for educational programs, and the States Antitrust/Consumer Protection Tobacco Enforcement Fund and the National Association of Attorneys General (NAAG) for administration and enforcement activities. Although the MSA imposed no requirements on how the Settling States can spend their payments, the MSA expressly states that both the Settling States and tobacco manufacturers are "committed to reducing underage tobacco use by discouraging such use and by preventing Youth access to Tobacco Products."

A number of additional tobacco manufacturers (collectively the Subsequent Participating Manufacturers or SPMs) have joined the MSA since the original agreement was signed. The 4 OPMs together with approximately 40 SPMs are referred to as the Participating Manufacturers (PMs). The Missouri Office of Attorney General (AG), with the assistance of the NAAG, is responsible for the implementation and enforcement of the MSA for the state of Missouri.

After the MSA was signed and to receive payments under the MSA, each state had to receive formal approval of both the MSA and a consent decree from the relevant state court, called state-specific finality. Missouri received state-specific finality in April 2001.

Pursuant to the Governor's Executive Order 01-05, issued in February 2001, the following funds (collectively referred to as the Healthy Families Trust Funds) were created to account for the tobacco settlement funds received by the state of Missouri:

- Healthy Families Trust Fund (HFTF) (Fund 625)
- HFTF - Health Care Treatment and Access Account (Fund 640)
- HFTF - Early Childhood Care and Education Account (Fund 641)
- HFTF - Life Sciences Research Account (Fund 642)
- HFTF - Tobacco Prevention, Education and Cessation Account (Fund 643)
- HFTF - Seniors Catastrophic Prescription Drug Account (Fund 665)

Revenues

Future actual payments from the PMs are not known or easy to estimate because the payments are dependant on a number of factors which are difficult to predict, one being nationwide cigarette sales. However, the state has a reasonable level of assurance that the tobacco payments received to-date are appropriate and correct.

The state of Missouri received the following tobacco payments for fiscal year 2001 through fiscal year 2005:

Tobacco Payments to Missouri	
Year Ended June 30,	Amount
2001 (1)	\$ 338,230,653
2002	172,679,543
2003	166,895,179
2004	142,829,966
2005	144,964,644
Total Payments	\$ 965,599,985

Source: Statewide Advantage for Missouri System (SAM II)

- (1) Missouri received payments for 2001 and previous years in April 2001 after achieving state-specific finality.

During the five years ended June 30, 2005, the tobacco payments averaged about one percent of state revenues (per the state Comprehensive Annual Financial Report).

The MSA provides for three types of payments: initial payments, annual payments, and strategic contribution payments. Initial payments were made in five installments. These payments were made around the first of the year and ceased in 2004. Annual payments are made once a year (around April 15th) and continue in perpetuity. Strategic contribution payments will be made from 2008 to 2017 and are meant to reimburse the Settling States for litigation costs incurred prior to the settlement. Missouri's share of the strategic contribution payments is estimated to total over \$134 million before any adjustments. The initial and annual payments are distributed based on the allocation percentages for each state as established in the MSA. Strategic contribution payments will be allocated to the Settling States based on a separate formula intended to reflect the level of the contribution each state made toward final resolution of the state lawsuit against the tobacco companies.

Although the MSA specifies base payment amounts, the annual payments are not easy to estimate because the base payment amounts are subject to numerous adjustments, reductions, and offsets, some of which are material. In addition, as new manufacturers join the MSA, prior and future payments to the Settling States are affected. The amount each tobacco company has to pay is based on their relative market share as defined in the MSA. The annual base payment amounts are:

- \$4.5 billion in 2000;
- \$5 billion in 2001;
- \$6.5 billion in each of 2002 and 2003;
- \$8 billion in each year 2004-2007;
- \$8.139 billion in each year 2008-2017;
- \$9 billion in 2018 and thereafter.

The adjustments, reductions, and offsets include the inflation adjustment, volume adjustment, previously settled states reduction, non-participating manufacturers adjustment, and offsets for miscalculated or disputed payments. Currently, the two most significant and material adjustments are the volume and inflation adjustments. The volume adjustment is based on the increases or decreases in the number of cigarettes shipped nationwide by the PMs compared to a 1997 benchmark, and the inflation adjustment is set at the actual percentage increase in the Consumer Price Index Percentage or three percent, whichever is greater.

The annual payments to the Settling States through 2005 have been less than the applicable base amount. For example, in 2005, after the adjustments, reductions, and offsets were applied to the base amount of \$8 billion, the adjusted base amount was approximately \$6.5 billion. This occurred primarily because the downward volume adjustment was greater than the upward inflation adjustment. Although the inflation adjustment is on a compounding basis, the decline in PMs' nationwide sales has been significant enough to offset the inflationary increases thus far.

Even though the amount of the future tobacco payments is uncertain, the state of Missouri has a reasonable level of assurance the annual payments received to date are properly calculated. Pursuant to the MSA, the NAAG contracts with an independent auditor (PricewaterhouseCoopers) to make all calculations. The auditor calculates and determines the amount of all payments owed by the PMs, plus the applicable adjustments, reductions, and offsets or carry forwards, and the allocations to the Settling States. The auditor collects all information necessary to make the calculations and determinations from the PMs, the Settling States, and other sources, such as federal excise tax information.

According to NAAG personnel, the NAAG reviews the various calculations to ensure the calculations are correct and supported by accurate source documents. In addition, the AG receives preliminary payment calculations for their review before the payment calculation is final. According to AG personnel, they review these calculations to ensure they appear reasonable.

The MSA provides that the PMs make all payments into an escrow account. The funds are then credited to the proper state-specific account after the final calculation is made and held until they are paid to the individual state treasury. When received, the tobacco payments are initially deposited in the state's HFTF.

Expenditures

The MSA does not impose restrictions on how the payments are to be spent. However, the MSA states that the tobacco payments provide significant funding for the advancement of public health as well as the implementation of important tobacco-related public health measures, including the enforcement and restrictions related to such measures, such as preventing and reducing the use of tobacco products by youth.

During the five years ended June 30, 2005, only a small amount of Missouri tobacco payments were spent on tobacco-related programs. The state spent approximately \$466,000 for the Department of Public Safety's (DPS) enforcement of youth access to tobacco, \$976,000 on the Department of Mental Health's (DMH) tobacco retailer education program, and \$350,000 on Department of Health and Senior Services' (DHSS) tobacco prevention programs.³ In 1999, the U.S. Centers for Disease Control and Prevention (CDC) published guidelines for tobacco prevention efforts and recommended funding levels that states should spend on smoking prevention. The CDC recommended that Missouri spend between \$32.8 million and \$91.4 million a year to have an effective, comprehensive tobacco prevention program. The Tobacco Quitline, which started in June 2005, is the state's most significant tobacco prevention program to-date. However, this program is funded directly by CDC and not by any of the tobacco funds received by the state.

Instead of funding a comprehensive tobacco prevention program, a significant portion of the tobacco payments received through June 30, 2005, have been used to cover state budget shortfalls. Over 99 percent of the payments received have been expended with approximately 68 percent⁴ of these funds transferred to the state's General Revenue Fund (GRF), to be used for any purpose⁵. According to the Office of Administration (OA), all tobacco payments transferred to the GRF were used to offset state budget shortfalls⁶. The remaining funds were appropriated to various state agencies to be spent for specific programs, with a majority of these monies used to replace funds cut from the Medicaid Program.

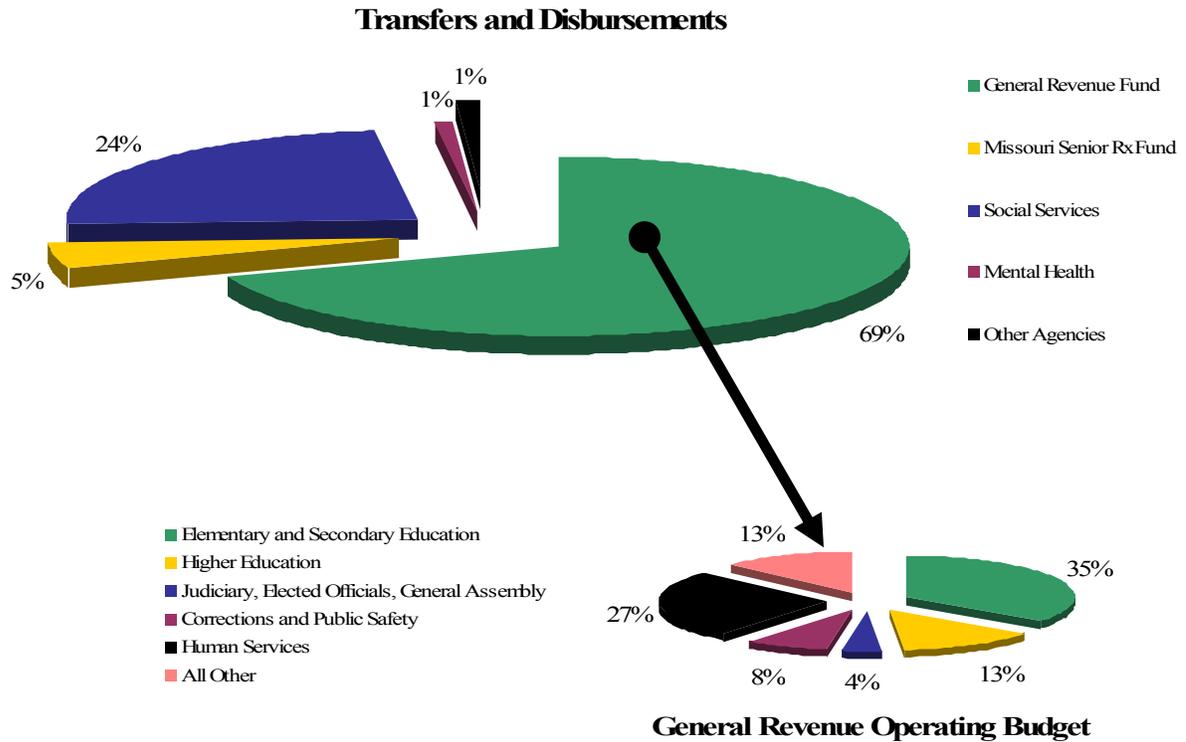
³ Details of these various programs are summarized at Appendix E.

⁴ Another one percent was transferred to the General Revenue Fund for the cost allocation plan.

⁵ According to the Missouri Budget, General Revenue Fund expenditures are primarily spent for Education and Human Services.

⁶ According to OA, transfers totaling approximately \$89.3 million and \$126.9 million in fiscal years 2002 and 2001, respectively, were used for the Senior Prescription Drug Tax Credit program. The Senior Rx program replaced the tax credit program in 2002.

The chart below outlines the expenditures of the tobacco payments for the five years ended June 30, 2005:



Only a small portion of the tobacco payments were used to enhance state programs, and most of these programs were later discontinued due to budget constraints. For example, during fiscal year 2002, the Department of Elementary and Secondary Education (DESE) spent approximately \$4.1 million in tobacco payments to provide additional contacts to families served by the Parents as Teachers Program. Due to budget constraints, DESE did not receive this funding in subsequent years, causing a reduction in services to these families. A few programs established with tobacco payments continue, but with other funding sources, such as grants to federally qualified health centers to expand their services to Medicaid recipients and low income individuals.

However, some programs established as a result of the receipt of the tobacco payments have continued, including the Missouri Senior Rx program, which assists senior citizens with prescription drug purchases (expenditures were approximately \$18 million in fiscal year 2005); the DPS's enforcement of youth access to tobacco laws; and the DMH's tobacco retailer education program. Beginning in fiscal year 2007, the state will have less tobacco payments available to cover budget shortfalls. Legislation passed in 2003⁷ has earmarked 25 percent of the tobacco payments received during and after fiscal year 2007 for life sciences research.

⁷ Section 196.1100 RSMo

Non-Participating Manufacturers

Tobacco manufacturing companies that are not part of the MSA (collectively the Non-Participating Manufacturers or NPMs) make no payments and have not agreed to any limitations on advertising, marketing, and promotion of their cigarettes. However, the NPMs are not released from potential state claims. To ensure that Settling States that are successful in a future lawsuit against a NPM would have monies against which they can recover any judgment/settlement money, the MSA recommended the adoption of a model statute requiring the establishment of qualified escrow accounts.

States which do not enact and diligently enforce statutes similar to the model statute may be subject to an NPM adjustment to their tobacco payments. The NPM adjustment is triggered by at least a two percent decrease in the combined market share of PMs below what their combined share was in 1997. If the loss of market share is caused in significant part by provisions of the MSA, the tobacco payments to the Settling States may be reduced based on a formula that corrects for this market share loss. However, the MSA also provided that an individual state can avoid this downward adjustment to their payments by enacting and enforcing a model statute that is intended to prevent a competitive disadvantage for the PMs. Missouri adopted the model statute⁸, effective July 1, 1999.

A significant requirement of the model statute is that NPMs annually deposit money in a qualified state-specific escrow account based on the number of cigarettes they sell in each state. The deposits must remain in the account for 25 years. After 25 years, the NPMs can withdraw one year of deposits each year, leaving the most recent 25 years of deposits in the account. The NPMs must certify annually to the AG that they are in compliance with the model statute. According to the AG's records, over \$15 million had been deposited in escrow accounts by NPMs for the years 2000 through 2005.

The AG is responsible for ensuring the NPMs comply with the model statute and receives an annual report of cigarette sales by manufacturer (stick count) from the Department of Revenue (DOR). The stick count report is based upon the number of cigarettes purchased from manufacturers and stamped for sale in Missouri as reported by the wholesalers. The AG compares the stick count information to the NPMs' annual certification information and investigates any discrepancies. As of April 2005, the AG had certified that nine NPMs had met all the NPM requirements. According to AG personnel, as of December 31, 2004, 19 NPMs were operating in the state, and for those not in compliance, the AG is either working with them to become fully compliant or has started litigation against them for not being in compliance. AG personnel also indicated a total of 38 NPMs operated in the state between 2000 and 2004.

National Tobacco Grower Settlement Trust Agreement

Tobacco growers and producers in states that grow cigarette tobacco (14 states, including Missouri) also receive payments through a separate agreement, the National Tobacco

⁸ Section 196.1000 RSMo

Grower Settlement Trust Agreement, known as “Phase II.” The MSA required the PMs to meet with the political leadership of states with grower communities to address the economic concerns of these communities. The Phase II agreement resulted from that requirement.

The Phase II agreement requires PMs to make payments to the National Tobacco Grower Settlement Trust each year for a period of 12 years beginning in 1999 and continuing through 2010. Similar to the tobacco payments, Phase II payments are subject to a number of adjustments including adjustments for volume of cigarettes shipped and inflation. These payments are sent directly to the tobacco growers/quota owners, not the state. Missouri growers/quota owners receive .42 percent of the total national payments. For crop years 1998 through 2002, Missouri growers/quota owners received approximately \$7.6 million. The Department of Agriculture (DOA) oversees this agreement and through June 2005 has received over \$390,000 for its administrative expenses.

However, this agreement was eliminated by the passage of federal buyout legislation, the Fair and Equitable Tobacco Reform Act of 2004. Under this Act, the tobacco companies will make annual payments to the tobacco growers/quota owners from 2005 to 2014 and the U.S. Department of Agriculture will administer the new program. The tobacco companies did not make payments for the 2003 crop year due to a clause in the Phase II agreement pertaining to federal buyout legislation. According to DOA personnel, a lawsuit filed by the Settling States against the tobacco companies has been resolved and the 2003 payments will be received in the near future.

Problems Identified

- All expenditures of tobacco funds cannot be readily identified, and the state does not adequately track or report the expenditures/activities funded with the tobacco monies. The state should discontinue the transfers to the GRF and all expenditures of tobacco monies should be appropriated from one fund, such as the HFTF.

During the five years ended June 30, 2005, tobacco payments were distributed to nine different funds and often redistributed again; with some monies held in three different funds before ultimately being spent.⁹ This practice makes it difficult to determine the ultimate disposition of the funds. In addition, approximately 68 percent of the funds were ultimately spent from the GRF without being designated for a specific purpose or without any other method of tracking what the funds were spent for. Furthermore, a formal report regarding the use of tobacco monies is not prepared for public review.

If all expenditures of tobacco monies were appropriated from one fund, the state could easily track the use of tobacco monies through SAM II and readily prepare

⁹ See Appendix B.

a report on the use of tobacco monies. A formal report regarding the use of tobacco monies would allow the public to determine how the monies were spent. It also appears this information would be helpful to the general assembly during the annual budget process.

- For the five years ended June 30, 2005, the practice of making multiple transfers of the tobacco monies to various funds has resulted in cost allocation charges, totaling over \$13 million (22 percent of the total state cost allocation charges).

During fiscal years 2002 through 2005, the OA calculated the state's costs of services provided by the Governor, Lieutenant Governor, Secretary of State, AG, State Auditor, State Treasurer, General Assembly, OA, DOR, and retiree health care to be allocated to the various state funds based on how the various funds created work for the agencies in the pools. For the tobacco monies, these cost allocation charges were based on the funds' expenditure and transfer-out amounts. Since the tobacco monies were held in multiple funds, cost allocation charges were applied to the tobacco monies multiple times.

For example, tobacco monies designated for the Missouri Senior Rx program were initially deposited in the HFTF, then transferred to the HFTF–Seniors Catastrophic Prescription Drug Account, and transferred again to the Missouri Senior Rx Fund before being ultimately spent. Thus, a cost allocation charge was applied to these monies three times: as transfers out of the HFTF, as transfers out of the HFTF–Seniors Catastrophic Prescription Drug Account, and again as expenditures from the Missouri Senior Rx Fund.

If, as noted above, the tobacco payments were deposited and appropriated from one fund, the cost allocation charges would only be applied once to the tobacco monies.

- The state has not passed additional legislation that would amend the model statute passed in 1999. The NAAG has recommended the model statute be amended to include two components, referred to as complimentary legislation and the allocable-share amendment.

According to the NAAG, many NPMs have devised various schemes to evade compliance, and the purpose of the complimentary legislation is to make enforcement of the model statute more effective. Additionally, the allocable-share amendment would close a loophole in the model statute which allows the release of certain funds placed in the NPMs' escrow accounts. The NAAG recommends these amendments to make sure that NPMs are meeting their escrow payment obligations, to make state enforcement of the model statutes more effective, and to safeguard annual MSA payments.

Although legislation similar to the recommended complimentary legislation and allocable-share amendment was introduced in the 2005, 2004, and 2003 sessions,

these legislative proposals have not been approved by the General Assembly. AG personnel indicated all states but Missouri and North Dakota, and Missouri and New Jersey have passed some form of the model complimentary legislation and model allocable share amendment, respectively.

In April 2005, the AG received letters from most PMs indicating their intention to seek an NPM adjustment to their payment in connection with their market share loss in calendar year 2003. It appears that the general assembly should consider passing the additional legislation to help ensure the state does not incur a NPM adjustment to their annual payments.

Summary and Conclusion

The state is accountable for the effective, efficient, and economical use of the tobacco payments used to carry out its programs and accomplish its goals. Accountability allows the citizens to identify not only how much the state has spent and what the state spent the funds on, but also what the citizens received for the use of the funds and how effectively and efficiently those funds were used. Accountability is an important factor in securing good governance.

An effective system for tracking and reporting on the use of the tobacco monies would help establish accountability. Also, eliminating multiple transfers of tobacco monies and establishing appropriations from only one fund for the use of the monies would contribute to accountability.

Additionally, the state needs to consider passing additional legislation to amend the model statute as recommended by the NAAG to close loopholes in the model statute and enhance the enforcement process.

WE RECOMMEND the OA in conjunction with the Governor and Members of the General Assembly record and track tobacco revenues and expenditures in one fund through the state's accounting system, and report the use of these monies. Eliminating multiple transfers of the tobacco monies between funds and establishing the appropriation of tobacco monies from one fund would help ensure greater accountability regarding the use of these monies. Additionally, the state needs to consider passing additional legislation to amend the model statute.

OFFICE OF ADMINISTRATION'S RESPONSE

We agree with the recommendation. The multiplicity of funds created by the prior administration's executive order caused unnecessary transfers of money which resulted in cost allocation charges against the money in the funds. The multiple funds also caused excessive work in our accounting division. We at the Office of Administration were concerned with the way the prior administration handled these funds because we believed it led to a waste of resources.

Thus, in an effort to maximize efficiency, the Office of Administration will recommend the Governor eliminate funds created by Executive Order 01-05, except the Healthy Family Trust Fund ("HFTF"). Should the Governor eliminate these unnecessary funds all future appropriations of Tobacco Settlement Funds will simply come from the HFTF.

OFFICE OF THE ATTORNEY GENERAL'S RESPONSE

The Attorney General's Office believes that the State should pass the complimentary legislation and the allocable share amendment in order to increase its available tools in enforcing the model statute. As a result, it has supported passage of these two pieces of legislation since 2003, when this legislation was first developed, and continues to do so. This support was expressed through letters to and other communications with members of the General Assembly including testimony before legislative committees.

STATISTICAL INFORMATION

Appendix A

TOBACCO SETTLEMENT FUNDS

COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - HEALTHY FAMILIES TRUST FUNDS (1)

	Year Ended June 30,					Total (Memorandum Only)
	2005	2004	2003	2002	2001	
RECEIPTS						
Tobacco settlement payments	\$ 144,964,644	142,829,966	166,895,179	172,679,543	338,230,653	965,599,985
Total Receipts	<u>144,964,644</u>	<u>142,829,966</u>	<u>166,895,179</u>	<u>172,679,543</u>	<u>338,230,653</u>	<u>965,599,985</u>
DISBURSEMENTS (by agency)						
Social Services	50,959,100	50,959,100	51,463,296	74,046,289	0	227,427,785
Higher Education	848,525	687,587	667,253	149,079	0	2,352,444
Elementary and Secondary Education	0	0	0	4,092,500	0	4,092,500
Mental Health	2,377,681	2,377,681	3,127,681	2,329,837	0	10,212,880
Office of Administration	203	948	0	388,270	0	389,421
Public Safety	113,983	121,914	122,247	432,175	0	790,319
Health and Senior Services (2)	0	0	1,281,476	742,766	0	2,024,242
Total Disbursements	<u>54,299,492</u>	<u>54,147,230</u>	<u>56,661,953</u>	<u>82,180,916</u>	<u>0</u>	<u>247,289,591</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	<u>90,665,152</u>	<u>88,682,736</u>	<u>110,233,226</u>	<u>90,498,627</u>	<u>338,230,653</u>	<u>718,310,394</u>
TRANSFERS						
Transfers from other funds	0	0	10,000	0	0	10,000
Transfers to:						
General Revenue Fund	(74,955,327)	(75,817,149)	(160,625,727)	(230,897,264)	(126,900,000)	(669,195,467)
Missouri Senior Rx Fund	(16,856,817)	(16,478,288)	(10,150,932)	(2,352,773)	0	(45,838,810)
Other funds	(90,097)	(27,987)	(53,823)	(39,155)	0	(211,062)
Total Transfers	<u>(91,902,241)</u>	<u>(92,323,424)</u>	<u>(170,820,482)</u>	<u>(233,289,192)</u>	<u>(126,900,000)</u>	<u>(715,235,339)</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS AND TRANSFERS	<u>(1,237,089)</u>	<u>(3,640,688)</u>	<u>(60,587,256)</u>	<u>(142,790,565)</u>	<u>211,330,653</u>	<u>3,075,055</u>
CASH, JULY 1	<u>4,312,144</u>	<u>7,952,832</u>	<u>68,540,088</u>	<u>211,330,653</u>	<u>0</u>	<u>0</u>
CASH, JUNE 30	\$ <u><u>3,075,055</u></u>	<u><u>4,312,144</u></u>	<u><u>7,952,832</u></u>	<u><u>68,540,088</u></u>	<u><u>211,330,653</u></u>	<u><u>3,075,055</u></u>

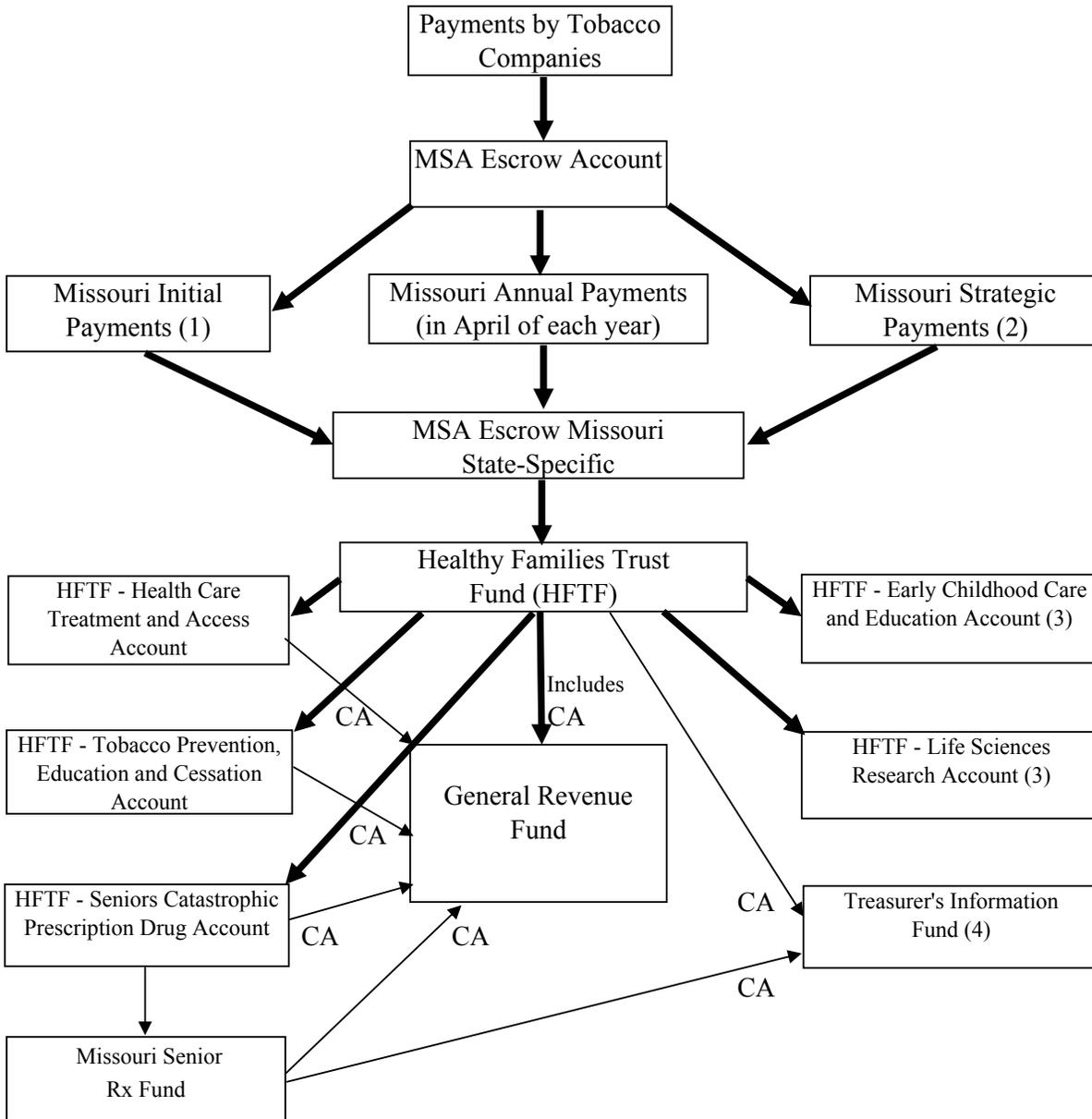
(1) Receipts, disbursements, and transfers were recorded in the following funds: Healthy Families Trust Fund (HFTF), HFTF- Health Care Treatment and Access Account, HFTF-Early Childhood Care and Education Account, HFTF- Life Sciences Research Account, HFTF-Tobacco Prevention, Education and Cessation Account, and HFTF-Seniors Catastrophic Prescription Drug Account.

(2) A portion of the Department of Health and Senior Services fiscal year 2002 appropriations was spent by the Department of Mental Health and the Department of Public Safety.

Appendix B

TOBACCO SETTLEMENT FUNDS

FLOW OF TRANSFERS AND DISBURSEMENTS - TOBACCO SETTLEMENT FUNDS



CA Cost allocation transfer.

- (1) Initial payments were made in five installments from 1998 to 2003.
- (2) Strategic contribution payments will be made from 2008 to 2017.
- (3) Transfers from the HFTF to these funds were only made in FY02.
- (4) Cost allocation transfers to the Treasurer's Information Fund were only made in 2005.

Appendix C

TOBACCO SETTLEMENT FUNDS
 STATEMENT OF APPROPRIATIONS - HEALTHY FAMILIES TRUST FUNDS
 YEAR ENDED JUNE 30, 2006

	<u>Appropriation *</u>
HEALTHY FAMILIES TRUST FUND	
Appropriated transfers to General Revenue Fund	\$ 86,193,663
Appropriated transfers to Missouri Senior Rx Fund	13,820,394
Appropriated transfers to other funds	<u>41,442</u>
Total Transfers	<u>100,055,499</u>
Total Healthy Families Trust Fund	<u>100,055,499</u>
HEALTHY FAMILIES TRUST FUND -	
HEALTH CARE TREATMENT AND ACCESS ACCOUNT	
Department of Social Services	
For the purpose of funding the Safety Net Program to include provider-sponsored and community-based clinics and grants to social welfare boards	30,365,444
For the purpose of funding pharmaceutical payments under the Medicaid fee-for-service and managed care programs and for the purpose of funding professional fees for pharmacists	1,041,034
For the purpose of funding physician services and related services, including, but not limited to, clinic and podiatry services, physician-sponsored services and fees, laboratory and x-ray services, and family planning services under the Medicaid fee-for-service and managed care programs	1,041,034
For the purpose of funding dental services under the Medicaid fee-for-service and managed care programs	848,773
For the purpose of funding care in nursing facilities, program for All-Inclusive Care for the Elderly, or other long-term care services under the Medicaid fee-for-service and managed care programs	17,973
For the purpose of funding all other non-institutional services	831,745
For the purpose of funding the payment to comprehensive prepaid health care plans or for payments to providers of health care services for persons eligible for medical assistance under the Medicaid fee-for-service programs or State Medical program	4,447,110
For the purpose of funding hospital care under the Medicaid fee-for-service and managed care programs, and funding for hospital-employed, Medicaid-enrolled physicians in the emergency departments of Level I, II, III Trauma Centers	2,365,987
For Graduate Medical Education	<u>10,000,000</u>
Total Department of Social Services	<u>50,959,100</u>
Department of Higher Education	
For the purpose of funding the telemedicine program	<u>628,200</u>
Total Department of Higher Education	<u>628,200</u>
Department of Mental Health	
For treatment of alcohol and drug abuse	<u>2,040,168</u>
Total Department of Mental Health	<u>2,040,168</u>
Appropriated transfers to General Revenue Fund	<u>462,819</u>
Total Healthy Families Trust Fund - Health Care Treatment and Access Account	<u>54,090,287</u>

Appendix C

TOBACCO SETTLEMENT FUNDS
 STATEMENT OF APPROPRIATIONS - HEALTHY FAMILIES TRUST FUNDS
 YEAR ENDED JUNE 30, 2006

	<u>Appropriation *</u>
HEALTHY FAMILIES TRUST FUND -	
TOBACCO PREVENTION, EDUCATION AND CESSATION ACCOUNT	
Department of Mental Health	
For the purpose of funding prevention and education services	300,000
Total Department of Mental Health	<u>300,000</u>
Department of Public Safety	
For the Division of Alcohol and Tobacco Control - Expense and Equipment	36,960
For the Division of Alcohol and Tobacco Control - Personal Services	97,704
Total Department of Public Safety	<u>134,664</u>
Appropriated transfers to General Revenue Fund	13,165
Appropriated transfers to other funds	41,049
Total Transfers	<u>54,214</u>
Total Healthy Families Trust Fund - Tobacco Prevention, Education and Cessation Account	<u>488,878</u>
HEALTHY FAMILIES TRUST FUND -	
SENIORS CATASTROPHIC PRESCRIPTION DRUG ACCOUNT	
Appropriated transfers to General Revenue Fund	140,446
Total Healthy Families Trust Fund - Seniors Catastrophic Prescription Drug Account	<u>140,446</u>
Total All Funds	<u>\$ 154,775,110</u>

* Appropriation amounts as of September 1, 2005 (appropriation amounts are subject to change).

Appendix D

TOBACCO SETTLEMENT FUNDS
COMPARATIVE STATEMENT OF APPROPRIATIONS AND EXPENDITURES - HEALTHY FAMILIES TRUST FUNDS

	Year Ended June 30,							
	2005				2004			
	Appropriation	Expenditures	Lapsed Balances	Governor's Withholdings *	Appropriation	Expenditures	Lapsed Balances	Governor's Withholdings *
HEALTHY FAMILIES TRUST FUND								
Appropriated transfers to General Revenue Fund	\$ 74,474,356	74,474,355	1	0	75,142,706	75,142,706	0	0
Appropriated transfers to other funds	51,525	51,525	0	0	0	0	0	0
Total Transfers	74,525,881	74,525,880	1	0	75,142,706	75,142,706	0	0
Total Healthy Families Trust Fund	74,525,881	74,525,880	1	0	75,142,706	75,142,706	0	0
HEALTHY FAMILIES TRUST FUND - HEALTH CARE TREATMENT AND ACCESS ACCOUNT								
Department of Social Services								
For the purpose of funding the Safety Net Program to include provider-sponsored and community-based clinics and grants to social welfare boards	\$ 30,365,444	30,365,444	0	0	30,365,444	30,365,444	0	0
For the purpose of funding pharmaceutical payments under the Medicaid fee-for-service and managed care programs and for the purpose of funding professional fees for pharmacists	1,041,034	1,041,034	0	0	1,041,034	1,041,034	0	0
For the purpose of funding physician services and related services, including, but not limited to, clinic and podiatry services, physician-sponsored services and fees, laboratory and x-ray services, and family planning services under the Medicaid fee-for-service and managed care programs	1,041,034	1,041,034	0	0	1,041,034	1,041,034	0	0
For the purpose of funding dental services under the Medicaid fee-for-service and managed care programs	848,773	848,773	0	0	848,773	848,773	0	0
For the purpose of funding care in nursing facilities, program for All-Inclusive Care for the Elderly, or other long-term care services under the Medicaid fee-for-service and managed care programs	17,973	17,973	0	0	17,973	17,973	0	0
For the purpose of funding all other non-institutional services	831,745	831,745	0	0	831,745	831,745	0	0
For the purpose of funding the payment to comprehensive prepaid health care plans or for payments to providers of health care services for persons eligible for medical assistance under the Medicaid fee-for-service programs or State Medical program	4,447,110	4,447,110	0	0	4,447,110	4,447,110	0	0
For the purpose of funding hospital care under the Medicaid fee-for-service and managed care programs, and funding for hospital-employed, Medicaid-enrolled physicians in the emergency departments of Level I, II, III Trauma Centers	2,365,987	2,365,987	0	0	2,365,987	2,365,987	0	0
For Graduate Medical Education	10,000,000	10,000,000	0	0	10,000,000	10,000,000	0	0
Total Department of Social Services	50,959,100	50,959,100	0	0	50,959,100	50,959,100	0	0
Department of Higher Education								
For the purpose of funding the telemedicine program	1,896,080	848,525	1,047,555	0	2,583,667	687,586	1,896,081	0
Total Department of Higher Education	1,896,080	848,525	1,047,555	0	2,583,667	687,586	1,896,081	0

Appendix D

TOBACCO SETTLEMENT FUNDS
 COMPARATIVE STATEMENT OF APPROPRIATIONS AND EXPENDITURES - HEALTHY FAMILIES TRUST FUNDS

	Year Ended June 30,							
	2005				2004			
	Appropriation	Expenditures	Lapsed Balances	Governor's Withholdings *	Appropriation	Expenditures	Lapsed Balances	Governor's Withholdings *
Department of Mental Health								
For treatment of alcohol and drug abuse	2,077,681	2,077,681	0	0	2,077,681	2,077,681	0	0
Total Department of Mental Health	2,077,681	2,077,681	0	0	2,077,681	2,077,681	0	0
Appropriated transfers to General Revenue Fund	475,028	475,028	0	0	646,264	646,264	0	0
Appropriated transfers to other funds	0	0	0	0	14,232	0	14,232	0
Total Transfers	475,028	475,028	0	0	660,496	646,264	14,232	0
Total Healthy Families Trust Fund - Health Care Treatment and Access Account	55,407,889	54,360,334	1,047,555	0	56,280,944	54,370,631	1,910,313	0
HEALTHY FAMILIES TRUST FUND - TOBACCO PREVENTION, EDUCATION AND CESSATION ACCOUNT								
Department of Mental Health								
For the purpose of funding prevention and education services	300,000	300,000	0	0	300,000	300,000	0	0
Total Department of Mental Health	300,000	300,000	0	0	300,000	300,000	0	0
Office of Administration								
For reimbursing the Division of Employment Security benefit account for claims paid to former state employees for unemployment insurance coverage and for related professional services	203	203	0	0	1,000	948	52	0
Total Office of Administration	203	203	0	0	1,000	948	52	0
Department of Public Safety								
For the Division of Liquor Control - Personal Service	97,704	77,023	20,681	0	79,989	70,839	9,150	0
For the Division of Liquor Control - Expense and Equipment	36,960	36,960	0	0	51,075	51,075	0	0
Total Department of Public Safety	134,664	113,983	20,681	0	131,064	121,914	9,150	0
Appropriated transfers to General Revenue Fund	3,999	3,999	0	0	7,175	7,175	0	0
Appropriated transfers to other funds	42,692	38,572	4,120	0	130,999	27,988	103,011	0
Total Transfers	46,691	42,571	4,120	0	138,174	35,163	103,011	0
Total Healthy Families Trust Fund - Tobacco Prevention, Education and Cessation Account	481,558	456,757	24,801	0	570,238	458,025	112,213	0

Appendix D

TOBACCO SETTLEMENT FUNDS
 COMPARATIVE STATEMENT OF APPROPRIATIONS AND EXPENDITURES - HEALTHY FAMILIES TRUST FUNDS

	Year Ended June 30,							
	2005				2004			
	Appropriation	Expenditures	Lapsed Balances	Governor's Withholdings *	Appropriation	Expenditures	Lapsed Balances	Governor's Withholdings *
HEALTHY FAMILIES TRUST FUND - SENIORS CATASTROPHIC PRESCRIPTION DRUG ACCOUNT								
Appropriated transfers to General Revenue Fund	527,638	1,945	525,693	0	21,004	21,004	0	0
Appropriated transfers to Missouri Senior Rx Fund	16,856,817	16,856,817	0	0	16,478,288	16,478,288	0	0
Total Transfers	17,384,455	16,858,762	525,693	0	16,499,292	16,499,292	0	0
Total Healthy Families Trust Fund - Seniors Catastrophic Prescription Drug Account	17,384,455	16,858,762	525,693	0	16,499,292	16,499,292	0	0
Total All Funds	\$ 147,799,783	146,201,733	1,598,050	0	148,493,180	146,470,654	2,022,526	0

* The lapsed balances include these withholdings, made at the Governor's request.

Appendix D

TOBACCO SETTLEMENT FUNDS
COMPARATIVE STATEMENT OF APPROPRIATIONS AND EXPENDITURES - HEALTHY FAMILIES TRUST FUNDS

	Year Ended June 30,							
	2003				2002			
	Appropriation	Expenditures	Lapsed Balances	Governor's Withholdings *	Appropriation	Expenditures	Lapsed Balances	Governor's Withholdings *
HEALTHY FAMILIES TRUST FUND								
Appropriated transfers to General Revenue Fund	\$ 110,925,727	110,925,727	0	0	230,897,264	230,897,264	0	0
Total Healthy Families Trust Fund	<u>110,925,727</u>	<u>110,925,727</u>	<u>0</u>	<u>0</u>	<u>230,897,264</u>	<u>230,897,264</u>	<u>0</u>	<u>0</u>
HEALTHY FAMILIES TRUST FUND - HEALTH CARE TREATMENT AND ACCESS ACCOUNT								
Department of Social Services								
For the purpose of funding one-time costs of the Safety Net Program	0	0	0	0	20,000,000	18,668,400	1,331,600	0
For the purpose of funding the Safety Net Program to include provider-sponsored and community-based clinics and grants to social welfare boards	30,365,444	30,360,334	5,110	0	50,959,100	45,587,108	5,371,992	4,410,000
For the purpose of funding grants to Federally Qualified Health Centers	0	0	0	0	5,000,000	5,000,000	0	0
For the purpose of funding pharmaceutical payments under the Medicaid fee-for-service and managed care programs and for the purpose of funding professional fees for pharmacists	1,041,034	1,041,034	0	0	0	0	0	0
For the purpose of funding physician services and related services, including, but not limited to, clinic and podiatry services, physician-sponsored services and fees, laboratory and x-ray services, and family planning services under the Medicaid fee-for-service and managed care programs	1,041,034	1,041,034	0	0	0	0	0	0
For the purpose of funding dental services under the Medicaid fee-for-service and managed care programs	848,773	848,773	0	0	0	0	0	0
For the purpose of funding care in nursing facilities, program for All-Inclusive Care for the Elderly, or other long-term care services under the Medicaid fee-for-service and managed care programs	17,973	17,973	0	0	0	0	0	0
For the purpose of funding all other non-institutional services	831,745	831,731	14	0	0	0	0	0
For the purpose of funding the payment to comprehensive prepaid health care plans or for payments to providers of health care services for persons eligible for medical assistance under the Medicaid fee-for-service programs or State Medical program	4,447,110	4,447,110	0	0	0	0	0	0
For the purpose of funding hospital care under the Medicaid fee-for-service and managed care programs, and funding for hospital-employed, Medicaid-enrolled physicians in the emergency departments of Level I, II, III Trauma Centers	2,365,987	2,365,987	0	0	0	0	0	0
For Graduate Medical Education	10,000,000	10,000,000	0	0	0	0	0	0
Total Department of Social Services	<u>50,959,100</u>	<u>50,953,976</u>	<u>5,124</u>	<u>0</u>	<u>75,959,100</u>	<u>69,255,508</u>	<u>6,703,592</u>	<u>4,410,000</u>
Department of Higher Education								
For the purpose of funding the telemedicine program	667,254	667,253	1	0	0	0	0	0
For the purpose of funding the telemedicine program	0	0	0	0	149,079	149,079	0	0
Total Department of Higher Education	<u>667,254</u>	<u>667,253</u>	<u>1</u>	<u>0</u>	<u>149,079</u>	<u>149,079</u>	<u>0</u>	<u>0</u>

Appendix D

TOBACCO SETTLEMENT FUNDS
COMPARATIVE STATEMENT OF APPROPRIATIONS AND EXPENDITURES - HEALTHY FAMILIES TRUST FUNDS

	Year Ended June 30,							
	2003				2002			
	Appropriation	Expenditures	Lapsed Balances	Governor's Withholdings *	Appropriation	Expenditures	Lapsed Balances	Governor's Withholdings *
Department of Mental Health								
For the purpose of funding the Safety Net Program	0	0	0	0	5,091,900	2,329,837	2,762,063	2,730,849
For treatment of alcohol and drug abuse	2,077,681	2,077,681	0	0	0	0	0	0
For adult community programs	750,000	750,000	0	0	0	0	0	0
Total Department of Mental Health	<u>2,827,681</u>	<u>2,827,681</u>	<u>0</u>	<u>0</u>	<u>5,091,900</u>	<u>2,329,837</u>	<u>2,762,063</u>	<u>2,730,849</u>
Department of Public Safety								
For firefighter training contracted services	0	0	0	0	600,000	432,175	167,825	159,255
Total Department of Public Safety	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>600,000</u>	<u>432,175</u>	<u>167,825</u>	<u>159,255</u>
Department of Health and Senior Services								
For the Childhood Lead Screening Program - Expense and Equipment	782,631	254,572	528,059	0	1,340,350	206,525	1,133,825	0
For design and construction of a state health lab	0	0	0	0	25,000,000	0	25,000,000	25,000,000
For the Childhood Lead Screening Program - Personal Services	52,362	25,097	27,265	0	0	0	0	0
For the purpose of funding the State Public Health Laboratory - Personal Services	115,212	21,807	93,405	0	0	0	0	0
For the purpose of funding the State Public Health Laboratory - Expense and Equipment	238,491	0	238,491	0	0	0	0	0
For the Division of Administration for the purpose of funding program operations and support-Expense and Equipment	89,652	0	89,652	0	0	0	0	0
For the purpose of funding the Healthy Communities Program	0	0	0	0	1,713,676	0	1,713,676	1,713,676
For the purpose of funding the Healthy Communities Program - Personal Service	0	0	0	0	65,508	0	65,508	65,508
For the purpose of funding the Healthy Communities Program - Expense and Equipment	0	0	0	0	48,566	0	48,566	48,566
For the purpose of funding the Healthy Community Workforce Program and related expenses	0	0	0	0	243,700	0	243,700	243,700
Total Department of Health and Senior Services	<u>1,278,348</u>	<u>301,476</u>	<u>976,872</u>	<u>0</u>	<u>28,411,800</u>	<u>206,525</u>	<u>28,205,275</u>	<u>27,071,450</u>
Appropriated transfers to other funds	<u>37,000</u>	<u>15,121</u>	<u>21,879</u>	<u>0</u>	<u>203,000</u>	<u>2,524</u>	<u>200,476</u>	<u>0</u>
Total Healthy Families Trust Fund - Health Care Treatment and Access Account	<u>55,769,383</u>	<u>54,765,507</u>	<u>1,003,876</u>	<u>0</u>	<u>110,414,879</u>	<u>72,375,648</u>	<u>38,039,231</u>	<u>34,371,554</u>

Appendix D

TOBACCO SETTLEMENT FUNDS
COMPARATIVE STATEMENT OF APPROPRIATIONS AND EXPENDITURES - HEALTHY FAMILIES TRUST FUNDS

	Year Ended June 30,							
	2003				2002			
	Appropriation	Expenditures	Lapsed Balances	Governor's Withholdings *	Appropriation	Expenditures	Lapsed Balances	Governor's Withholdings *
HEALTHY FAMILIES TRUST FUND -								
EARLY CHILDHOOD CARE AND EDUCATION ACCOUNT								
Department of Social Services								
For community grants to improve early child care opportunities	0	0	0	0	844,868	844,868	0	0
For payments to child care providers	0	0	0	0	3,533,650	2,700,000	833,650	833,650
For program and related expenses to coordinate early childhood programs	0	0	0	0	243,700	137,576	106,124	93,700
For the Early Head Start Program	0	0	0	0	1,108,338	1,108,337	1	0
For community grants to improve early child care opportunities	56,822	33,608	23,214	0	0	0	0	0
For funding improvement to the quality of early childhood and youth development care and education. It is designed to bridge the gap and calls for coordination with Head Start, Parents As Teachers, and Early Head Start and other such programs. These grants will be awarded to communities to target "at-risk" and minorities populations. A contracting relationship shall be established with a community based not-for-profit organization to help identify families in the six-county area that have children ages three to five that need more intensive support. Said community based not-for-profit shall be exempt from taxation pursuant to Section 501 (c)(3) of the Internal Revenue Code, chartered by a national body, certified as an MBE corporation, and based in the target area served. Funding shall accurately reflect additional transportation costs involved in identifying targeted families for recruitment who live in sparsely populated rural communities in the six-county area being served	243,700	0	243,700	0	0	0	0	0
For the Early Head Start Program	475,712	475,712	0	0	0	0	0	0
Total Department of Social Services	776,234	509,320	266,914	0	5,730,556	4,790,781	939,775	927,350
Department of Elementary and Secondary Education								
For the purpose of funding additional home visits for three- to five-year-olds and at-risk services in the Parents as Teachers Program	0	0	0	0	6,092,500	4,092,500	2,000,000	2,000,000
For the purpose of improving accreditation resources	0	0	0	0	365,550	0	365,550	365,550
Total Department of Elementary and Secondary Education	0	0	0	0	6,458,050	4,092,500	2,365,550	2,365,550
Department of Health and Senior Services								
For home-visitation programs	0	0	0	0	852,950	0	852,950	852,950
For programs to improve the quality of child care	0	0	0	0	487,400	0	487,400	487,400
Total Department of Health and Senior Services	0	0	0	0	1,340,350	0	1,340,350	1,340,350
Total Healthy Families Trust Fund - Early Childhood Care and Education Account	776,234	509,320	266,914	0	13,528,956	8,883,281	4,645,675	4,633,250

Appendix D

TOBACCO SETTLEMENT FUNDS
COMPARATIVE STATEMENT OF APPROPRIATIONS AND EXPENDITURES - HEALTHY FAMILIES TRUST FUNDS

	Year Ended June 30,							
	2003				2002			
	Appropriation	Expenditures	Lapsed Balances	Governor's Withholdings *	Appropriation	Expenditures	Lapsed Balances	Governor's Withholdings *
HEALTHY FAMILIES TRUST FUND - LIFE SCIENCES RESEARCH ACCOUNT								
Department of Elementary and Secondary Education								
For the High School Science, Mathematics, and Technology Institute, offered through the University of Missouri at Kansas City College of Arts and Sciences, and that 25 percent of the appropriated funds be expended for minority children	100,000	0	100,000	100,000	0	0	0	0
Total Department of Elementary and Secondary Education	100,000	0	100,000	100,000	0	0	0	0
Office of Administration								
For the purpose of funding life sciences grants and related expenses	0	0	0	0	21,567,450	388,270	21,179,180	21,179,165
Total Office of Administration	0	0	0	0	21,567,450	388,270	21,179,180	21,179,165
Total Healthy Families Trust Fund - Life Sciences Research Account	100,000	0	100,000	100,000	21,567,450	388,270	21,179,180	21,179,165
HEALTHY FAMILIES TRUST FUND - TOBACCO PREVENTION, EDUCATION AND CESSATION ACCOUNT								
Department of Mental Health								
For the purpose of funding prevention and education services	300,000	300,000	0	0	0	0	0	0
Total Department of Mental Health	300,000	300,000	0	0	0	0	0	0
Department of Public Safety								
For the Division of Liquor Control - Personal Service	94,104	85,288	8,816	0	0	0	0	0
For the Division of Liquor Control - Expense and Equipment	36,960	36,959	1	0	0	0	0	0
Total Department of Public Safety	131,064	122,247	8,817	0	0	0	0	0
Department of Health and Senior Services								
For the purpose of funding a comprehensive tobacco use prevention program - Expense and Equipment **	0	0	0	0	1,714,619	419,870	1,294,749	1,284,529
For the purpose of funding a comprehensive tobacco use prevention program - grants and other program expenditures	0	0	0	0	17,310,989	0	17,310,989	17,310,989
For the purpose of funding community based programs	0	0	0	0	2,636,700	0	2,636,700	2,636,700
For the purpose of funding a comprehensive tobacco use prevention program - Personal Service ***	0	0	0	0	514,392	116,371	398,021	385,000
Total Department of Health and Senior Services	0	0	0	0	22,176,700	536,241	21,640,459	21,617,218
Appropriated transfers to other funds	183,834	38,702	145,132	0	40,000	36,631	3,369	0
Total Healthy Families Trust Fund - Tobacco Prevention, Education and Cessation Account	614,898	460,949	153,949	0	22,216,700	572,872	21,643,828	21,617,218

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TOBACCO SETTLEMENT FUNDS
COMPARATIVE STATEMENT OF APPROPRIATIONS AND EXPENDITURES - HEALTHY FAMILIES TRUST FUNDS

	Year Ended June 30,							
	2003				2002			
	Appropriation	Expenditures	Lapsed Balances	Governor's Withholdings *	Appropriation	Expenditures	Lapsed Balances	Governor's Withholdings *
HEALTHY FAMILIES TRUST FUND -								
SENIORS CATASTROPHIC PRESCRIPTION DRUG ACCOUNT								
Department of Health and Senior Services								
For the purpose of funding Home and Community Services grants	980,000	980,000	0	0	0	0	0	0
Total Department of Health and Senior Services	980,000	980,000	0	0	0	0	0	0
Appropriated transfers to General Revenue Fund	49,700,000	49,700,000	0		0	0	0	
Appropriated transfers to Missouri Senior Rx Fund	65,879,367	10,150,932	55,728,435	55,728,435	2,352,773	2,352,773	0	
Total Transfers	115,579,367	59,850,932	55,728,435	55,728,435	2,352,773	2,352,773	0	0
Total Healthy Families Trust Fund -								
Seniors Catastrophic Prescription Drug Account	116,559,367	60,830,932	55,728,435	55,728,435	2,352,773	2,352,773	0	0
Total All Funds	\$ 284,745,609	227,492,435	57,253,174	55,828,435	400,978,022	315,470,108	85,507,914	81,801,187

* The lapsed balances include these withholdings, made at the Governor's request.

** A portion of the Department of Health and Senior Services' appropriation was spent by the Department of Mental Health and the Department of Public Safety for tobacco education and enforcement, respectively.

*** A portion of this appropriation was spent by the Department of Public Safety for tobacco enforcement.

Appendix E

TOBACCO SETTLEMENT FUNDS SPENDING OVERVIEW

During the five years ended June 30, 2005, almost 70 percent of the tobacco settlement funds were transferred to the state's General Revenue Fund and were not designated to a specific purpose. The remaining funds were appropriated to various state agencies to be spent for specific programs. Personnel of the various state agencies provided the following explanation of those specific programs/uses:

Department of Social Services (DSS)

The DSS spent the majority of its tobacco funds, totaling approximately \$227 million, for various Medicaid programs. Other funding included:

Tobacco funds, totaling \$5 million, were used in fiscal year 2002 to fund a new contract with the Missouri Primary Care Association to award grants to federally qualified health centers to expand their services to Medicaid recipients and low income individuals. The DSS has continued to contract with the Missouri Primary Care Association for these services each year, but the contract has been funded with other sources.

In addition, in fiscal years 2003 and 2002, tobacco funds, totaling approximately \$2.6 million, were used to fund enhancements for the early childhood education start-up/expansion and early headstart programs. The start-up/expansion program provides competitive grants to community-based agencies, organizations, or individuals wishing to establish quality child care programs or expand existing programs, for the purpose of increasing the capacity of infant and toddler child care in the state. The early headstart program provides child care, parent education and support, screenings, and other services to promote quality childhood services for Missouri's families. Also, approximately \$2.7 million in tobacco funds were used in fiscal year 2002 as a state match for a federal grant which provides child care subsidy payments for eligible families.

The fiscal year 2006 appropriations were for various Medicaid programs.

Department of Higher Education (DHE)

The University of Missouri–Columbia, from DHE appropriations, received tobacco funds, totaling almost \$2.4 million, to expand the number of healthcare delivery sites provided by its Missouri Telehealth Network (MTN). The MTN exists to enhance access to care to underserved areas of Missouri, to provide educational opportunities for healthcare providers, to further homeland security efforts related to disaster preparedness, to be available in the event of a disaster, and to provide research opportunities to clinicians wanting to study Telehealth. The MTN uses a semi-private network using the Internet Protocol to deliver two-way interactive audio and video for clinical encounters, and data transfer for Teleradiology and other services.

Over \$600,000 was appropriated for this program in fiscal year 2006.

Department of Elementary and Secondary Education (DESE)

During fiscal year 2002, tobacco funds, totaling approximately \$4.1 million, were used to enhance the Parents as Teachers program by providing additional contacts to families. DESE did not receive this funding in subsequent years.

Department of Mental Health (DMH)

The DMH used the majority of its appropriations of tobacco funds to offset Medicaid budget reductions. Over \$8.5 million was used to pay for substance abuse treatment services for Medicaid eligible individuals. These services include drug and alcohol abuse treatment, individual counseling, and day treatments, but not tobacco-related treatments.

The DMH spent \$73,000 in fiscal year 2002 and \$300,000 in each subsequent year for its program to educate tobacco retailers of the laws against selling tobacco to minors. These funds were used to contract with regional support centers across the state to provide the vendor education. Other DMH vendor education activities, such as conducting “near buy” visits and compliance checks, are funded by other sources. The DMH’s retailer education program started because of the high rate of retailer noncompliance and the availability of the tobacco funds.

In addition, in fiscal year 2003, the DMH spent tobacco funds, totaling \$750,000, to provide community-based psychiatric services for Medicaid eligible individuals. These funds were used to offset Medicaid budget reductions and were only available one year.

The fiscal year 2006 appropriations are for the substance abuse treatment services for Medicaid eligible individuals and for the DMH's tobacco retailers' education program.

Office of Administration (OA)

Tobacco funds, totaling approximately \$21.6 million, were appropriated in fiscal year 2002 for the purpose of establishing a life sciences program; but, most of the appropriation was withheld by the Governor. However, the OA paid a consultant approximately \$388,000 for program design and coordination of the life sciences research solicitation process and travel expenses.

Department of Public Safety (DPS)

The DPS is responsible for the enforcement of state law regarding youth access to tobacco products. Since fiscal year 2002, the DPS spent tobacco funds, totaling approximately \$466,000, to pay a portion of personal service and expense and equipment costs of its tobacco enforcement program. In addition, in fiscal 2002, tobacco funds, totaling over \$430,000, were used for annual firefighter training.

Almost \$135,000 was appropriated for the enforcement program in fiscal year 2006.

Department of Health and Senior Services (DHSS)

Tobacco funds are the primary funding source (approximately 96 percent of total program revenues for the four years ended June 30, 2005) of the Missouri Senior Rx program which was established in fiscal year 2002.

In addition, in fiscal year 2003 and 2002, tobacco funds, totaling approximately \$500,000, were used to enhance the childhood lead screening and prevention program, through lead education and outreach as well as the development of a childhood lead software application.

Also, in fiscal year 2002, tobacco funds, totaling approximately \$350,000, were used for tobacco programs/activities. The department contracted with the University of Missouri to conduct a county-level adult tobacco survey, paid existing contracts with local health agencies for community tobacco control programs, and paid a portion of personal service and expense/equipments costs of department personnel who worked on tobacco-related issues and programs. In addition, the department allowed the DMH and DPS to spend a portion of its appropriations for tobacco-related education and enforcement, respectively. Finally, in fiscal year 2003, tobacco funds, totaling \$980,000, were appropriated by the General Assembly to pay for senior citizen home-delivered meals. The meals are generally paid from the General Revenue Fund.

The fiscal year 2006 appropriations totaled approximately \$24.5 million for the Senior Rx program.